

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BOONE COUNTY WATER &)
SEWER DISTRICT FOR APPROVAL OF A SEWER)
SERVICE AGREEMENT WITH SANITATION DISTRICT) CASE NO. 92-245
NO. 1 OF CAMPBELL AND KENTON COUNTIES)

O R D E R

On June 11, 1992, Boone County Water and Sewer District ("Boone District") applied for Commission authorization to enter an agreement with Sanitation District No. 1 of Campbell and Kenton Counties ("Sanitation No. 1") pursuant to KRS 278.300.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that:

1. Boone District, a water and sewer district organized pursuant to the provisions of KRS Chapter 74, provides water and sanitary sewer service throughout Boone County, Kentucky.

2. Boone County does not have, nor does it plan to construct in the near future, a sanitary sewage treatment plant capable of treating its sewage flows.

3. On September 16, 1991, Boone District, Sanitation District No. 1, and Boone County Government entered into an agreement whereby Sanitation District No. 1 agreed to reserve an additional 2,000,000 gallons of daily sewage treatment capacity for Boone District and to accept for transfer and treatment all of the sanitary sewage flow discharged and collected in Boone

District's Central Service Area. Boone District made an initial payment of \$80,000 and agreed to pay Sanitation District No. 1 an additional \$700,000 over 7 years in equal annual installments of \$100,000 with 7 percent interest to be paid on the unpaid principal balance.

4. Under the terms of the Agreement, Boone District also agrees to pay for certain facilities which Sanitation District No. 1 will design and construct. The cost of these facilities is currently estimated at \$8.5 million.

5. The assumption of the obligations set forth in the proposed loan agreement is for a lawful object within Boone District's corporate purposes, is necessary and appropriate for and consistent with the proper performance by Boone District of its service to the public, and is reasonably necessary and appropriate for such purpose.

6. The agreement entered into by Boone District, Sanitation No. 1, and Boone County Government was signed by the parties on September 10, 1991 and September 16, 1991. KRS 278.300 requires Boone District to obtain the Commission's prior approval by Order of the Commission, before assuming any obligation or liability or evidence of indebtedness. The last paragraph of paragraph 11 in the agreement states, "Said facilities shall be operational within thirty (30) months of formal approval by local, state and federal authorities having jurisdiction over the implementation of this Agreement." The agreement, therefore, was signed subject to the approval of the Public Service Commission.

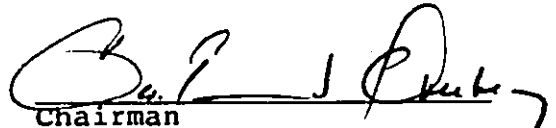
7. KRS 278.300 prohibits Commission authorization of a utility's issuance of securities of indebtedness where such issuance will impair the utility's ability to properly perform its service to the public. Boone County has issued in writing its assurance that it will underwrite and guarantee the estimated \$8.5 million in construction costs.

IT IS THEREFORE ORDERED that Boone District is authorized to issue long-term indebtedness as evidenced by its written agreement with Sanitation District No. 1 for the provision of sewer treatment service to Boone District's Central Region. If in the future Boone District seeks further evidences of indebtedness to accomplish its obligations to pay the estimated \$8.5 million, it shall apply for prior approval pursuant to KRS 278.300.

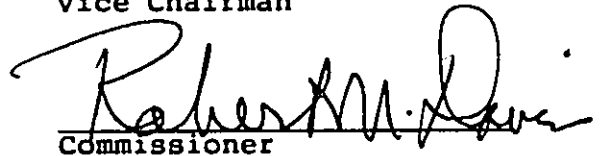
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 16th day of June, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

APPROVED:


Executive Director